# RELATIVE VALUES

**Presenter: Janet Overstreet**

**April 19, 2012**

# Types of Relative Values We Use

- Resource Based Relative Values (RBRVS)
- Work Relative Values (WRVS)
- Lab Relative Values (LRVS)

# What Is A Relative Value Unit (RVU)?

- A Relative Value Unit (RVU) is a measure of value used in the Medicare reimbursement formula for physician services.

- Before RVUs were used, Medicare paid physician services using “usual, customary and reasonable” rate-setting which led to payment variability.

# How Did Relative Values Come About?

- The *Consolidated Omnibus Budget Reconciliation Action of 1985* enacted a Medicare fee schedule.

- The services are "classified under a nomenclature based on the Current Procedural Terminology (CPT) to which the American Medical Association (AMA) holds the property rights.

- Each service in the fee schedule is scored under the RBRV Scale to determine a payment.

.

- Resource-Based Relative Value Scale (RBRVS) is a schema used to determine how much money medical providers should be paid.

- It is partially used by Medicare and by nearly all Health Maintenance Organizations (HMOs)

- RBRVS assigns, procedures performed by a physician or other medical provider, a relative value which is adjusted by geographic region; otherwise known as, Geographic Practice Cost Index (GPCI).

- GPCI accounts for the geographical differences in the cost of practice across the country. CMS calculates an individual GPCI for each of the RVU components—physician work, practice expense and malpractice. GPCIs are reviewed every three years.

- Each CPT code is targeted for review at least every five years.

- RRBVS determines prices based on three separate factors:
  - **Physician Work (52%)**
    - Includes: physician's time, mental effort, technical skill, judgment, stress and any amortization of the physician's education (initial training and any additional training)
  - **Practice Expense (44%)**
    - Includes: non-physician clinical and nonclinical labor of the practice, expenses for building space, equipment, and office supplies
  - **Malpractice Expense (4%)**
    - Includes: cost of malpractice insurance premiums

- This value is then multiplied by a fixed conversion factor, which changes annually, to determine the amount of payment.

- Conversion Factor (CF) converts the relative value units into an actual dollar amount. The CF is updated on an annual basis according to a formula specified by statute. Congress has the ability to override the statutorily defined formula.

- The general formula for calculating Medicare payment amounts for 2012 is expressed as:
- Work RVU[1] x Work (GPCI)[2]
- +Practice Expense (PE) RVU x PE GPCI
- +Malpractice (PLI) RVU x PLI GPCI
- = Total RVU
- X CY 2012 Conversion Factor of $34.0376

.

**Work Relative Values** (RVUs) are the components of the "physician's work" which is 52% of the total RBRV.

Relative Value Units for Selected Services, 2008

| Service (HCPCS code) | Total | Physician Work | Practice Expense | Professional Liability Insurance |
|---|---|---|---|---|
| Intermdiate Office Visit (99214) | 2.53 | 1.42 | 1.06 | 0.05 |
| Diagnostic Colonoscopy (45378) | 5.64 | 3.69 | 1.65 | 0.30 |
| Total Hip Replacement (27130) | 37.66 | 21.61 | 12.54 | 3.51 |

*Source: CMS Web site.* www.cms.hhs.gov/PhysicianFeeSched/PFSFRN/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=4&sortOrder=ascending&itemID=CMS1204957&intNumPerPage=10.

# Lab Relative Values

- Laboratory values are listed by Cost (instead of relative values) on a dedicated Laboratory Fee Schedule that can be found on the Center for Medicare & Medicaid Services website.

.

- Laboratory services are also based on RVUs assigned, multiplied by the conversion factor (CF) and a geographical adjustment (GPCI).

- The payment (cost) per service is primarily based on the National Limitation Amount (NLA), which is a median of 56 regional fee schedules.

- Payments through service regions may be higher or lower than the NLA.

.

- Relative values, as for patient services reported through the Patient Services Reporting System, are used to determine the amount of Direct & Indirect Clinic cost spread to DPH Clinic Programs.

- Direct Clinic Costs are through time reporting 700 & 718 ; travel reporting; and other expenses such as: supplies, office expenses, paying Independent Contract providers, etc.

- Indirect Clinic Costs are through time reporting 899; travel reporting; and other expenses such as: supplies, office expenses, etc.

.

- Direct & Indirect Costs together are used to determine how the cost spread is made to the 712, 800, 802, 803, 804, 805, 806, 807, 809, 810, & 813 Cost Centers.

- All costs are determined and then spread according to total number of relative values per DPH program.

.

<u>The following is not an exact science, but can be used to determine by LHD provider:</u>

Hourly wage, x 36% (fringe) X 7.5hrs per day

$33.0 x (.52% work) = $17.16 amt WRBV

$15 + 5.4 = $20.4 X $153 divided by $17.16 = 8.92

$20 +7.2 = $27.2 X $204 divided by $17.16 = 11.89

$25 + 9 = $34.0 X $255 divided by $17.16 = 14.86

| Code | RBRVs | WRBVs |
|---|---|---|
| (W)99202 | 1.96 | .93 |
| (W)99212 | 1.15 | .48 |
| (W)99213 | 1.92 | .97 |
| (W)99386 | 2.40 | 1.34 |
| (W)99382 | 3.18 | 1.65 |
| (W)99392 | 2.90 | 1..51 |

GPIC WORK – 1.0000
GPIC PE - 0.871
GPIC MP - 0.752

Centers for Medicare and Medicaid Services website for looking up Fee Schedule for CPT and Labs:

http://www.cms.gov/apps/physician-fee-schedule/search/search-criteria.aspx

http://www.cms.gov/apps/ama/license.asp?file=/ClinicalLabFeeSched/downloads/11clab.zip

.

# •The End